

A YEAR IN REVIEW: FISCAL YEAR 1998

July 1, 1997 - June 30, 1998

1998 Tax Filers Didn't Come Unglued - Form Revision Reaps Success

The elimination of a separate address label and newly revised instruction booklets and tax forms were well-received by the public this year. In comparison to last year's complaints over balky income tax envelopes and address labels not sticking in 1997, customer satisfaction with the quality of the booklet was high. This year also marked the first year that the Department was able to have the taxpayer's name and address printed directly on the outside of the tax booklet thus eliminating a label altogether. In addition, the taxpayer's social security number was eliminated from the outside cover, but strategically placed on the first tax form inside the booklet. To assure quality with this year's tax booklet, the Department sent representatives from the Public Affairs and Controllers' Division to review the booklets on-site with the printer. Some three million tax booklets and returns were printed for the Department's distribution this tax filing season.

Included as a new form this year was the IT-40EZ. Similar in many ways to the federal 1040EZ form, it was designed to streamline the filing process for those taxpayers having minimal deductions as well as certain other requirements. The Department found that 334,556 taxpayers took advantage of the new form this year. The use of the IT-40EZ should assist the Department with a smoother implementation of the Federal/State Joint Telefile pilot program scheduled to take place in 1999.

Department's Returns Processing System Is Enhanced and Finds Success

The Returns Processing System was first implemented in January 1997 and began processing some 2.5 million individual income tax returns during this first year of operation. Revenue employees, for the first time ever, were empowered with the ability to locate and fix a tax return immediately, a process that previously, under the old system, could take up to six weeks to complete. The new system provides the ability to add a return online allowing a refund to be generated instantaneously. Revenue employees can now demonstrate to the taxpayers of Indiana how much quicker and easier this new system is able to respond to their needs. Taxpayers should expect better communication and quicker response once a problem is discovered. Improved letters showing line-by-line detail of how their return was filed and changed are being sent to thousands of designated taxpayers.

The 1998 processing season issued more individual income tax refunds by the end of the fiscal year than in the previous processing year. The Department continues to improve the processing qualities of the Returns Processing System with each tax season to better serve the taxpayers of Indiana in every aspect. Two major enhancements added to the system are the ability to direct deposit individual income tax refunds for those taxpayers who file electronically and PC-filing as an alternative to paper return filing.

The processing of corporate income tax returns was added to the Returns Processing System in June 1998, along with the ability to register all business taxpayers. The Department will continue to enhance the Returns Processing System to ensure corporate income tax filers enjoy similar advantages as those realized with the individual income tax application. Development of Phase III (trust taxes) of the Returns Processing System started in April 1998 with an anticipated implementation date of January 1999. All applications are Year 2000 compliant.

Department Develops Its Wellness Program

The 1998 fiscal year found the Department making great strides in the development, direction and growth of its Wellness Program. In general, the purpose of the program is to encourage and develop a healthier work environment that is supportive of positive health and wellness behaviors. In order to fulfill this purpose, the program began focusing on personal and organizational development this year.

In the area of personal development, the Wellness Program turned its attention towards creating comprehensive programming designed to help employees change attitudes, set goals, and make plans to promote optimal functioning. Major programs in this area included holding wellness fairs and activity programs, as well as bringing on board the Marion County Health Department's **Heart Alive** Program! This particular program is an all-inclusive heart health education and cholesterol screening program consisting of multiple health screenings and nutritional educational sessions for employees. The program began at the beginning of 1998 and will run for 12 months.

The second and primary purpose of the Department's Wellness Program, organizational development, was addressed by providing information and resources to facilitate culture change and integration of wellness as a vital function within the Department. Major programs in this area included developing peer educators for an in-house ergonomics program, expanding the wellness advisory committees, and working with management to facilitate change and improvement in each division's daily functions.

Department's Fuel & Environmental Tax Division Moves Towards A Paperless Office

By leveraging Internet technology, the Department's Fuel & Environmental Tax Division began setting up a paperless office in 1997. Using an e-mail browser, employees of the division can now distribute documents and information to all internal users at the touch of a button. Gone are the days of printing the document, making photocopies and distributing the copies to each employee. The documents are simply e-mailed via the Intranet (internal office Internet).

All users are standardized on computer software allowing staff to communicate and share information consistently throughout the division. Drafts for edit are distributed electronically and the receivers can post individualized comments to assist the author all without printing a single piece of paper.

The e-mail function proved to be a great time-saver last year. The entire division utilized an e-mail address book setup with individual employee addresses, as well as group e-mail addresses. For example, if information needed to go to the Refund Section, the sender would only need to type in the group name and all users assigned to that group would receive the message. Therefore, improving the turnaround time in sending information to all users, whether the message be from a fellow co-worker or supervisor.

In addition, correspondence with the public and other governmental agencies, both in Indiana and nationally, was improved via e-mail. In the past, if a taxpayer requested a copy of a statute, the division would have traditionally made photocopies and mailed the information to the taxpayer. The taxpayer would have received the statute several days later. Today if the taxpayer also has Internet access, the requested information can be e-mailed to the taxpayer and/or the division can e-mail the taxpayer the link to the Department's web site address where they can download the entire Indiana Code if they like.

By utilizing the Internet and e-mail, the future is looking brighter. Each day we realize new ways to utilize this form of communication. From this division's experience and success, other departmental divisions can successfully follow suit. And, as a result, better and faster customer service, along with more efficiency will be provided to taxpayers in the state of Indiana.

Motor Carrier "One-Stop Shop" Opens!

The Department's newly formed Motor Carrier Services Division coordinated and finalized the attainment of a leased facility in early 1997. This action enabled the eventual completion of a 10-year project to form a "One-Stop Shop" (single point of contact) for Indiana motor carriers (i.e., semi/18-wheeler trucks, etc.). This marked Phase III of a project that began when the Motor Carrier Authority Section from the old Public Service Commission moved to the Department of Revenue. The idea of such a "one-stop shop" originated under the administration of then, Governor Robert Orr.

In 1995, the Department was chosen as the centralized agency to administer the one-stop shop concept, which initiated Phase II. The International Registration Plan (IRP) was moved to the Department from the Bureau of Motor Vehicles and merged with the International Fuel Tax Agreement (IFTA) as was the Indiana Department of Transportation's Oversize/Overweight (OSOW) Section.

The Motor Carrier Services Division obtained a new facility on Indianapolis' southwest side and moved at the end of June 1998. The new facility will offer a more accessible service location for the Indiana trucking and transport community. The "One-Stop Shop" will provide comprehensive services for motor carrier taxpayers, including International Registration Plan (IRP) license plate filings and International Fuel Tax Agreement (IFTA) tax filings. In addition, intrastate operating authority, Indiana US DOT numbers and Indiana intrastate safety certification for "for-hire" carriers will also be provided at this office. Also joining the Department at the new facility, are personnel from the Indiana State Police specializing in motor carrier enforcement, personnel from the Indiana Department of Transportation and some former staff from the Indiana Bureau of Motor Vehicles.

Direct Deposit of Tax Refunds Offered To Taxpayers

In an effort to offer new ways to make the Federal/State Electronic Filing Program more attractive to the public, the Department established direct deposit of individual income tax refunds to those taxpayers filing electronically this year. The addition of the direct deposit option certainly gave taxpayers more immediate access to their state tax refund, especially by eliminating the paper trail and a trip to the bank. In fact, the Department found that most direct deposited state refunds were transferred into the taxpayer's bank account within six days of the date the return was filed, compared to the usual six to eight week turnaround for a paper check to be issued from a paper return.

At the end of the 1998 fiscal year, the Department had received 58,955 direct deposit refund requests from electronically filed individual income tax returns. Overall, the Department received 340,904 electronically filed returns (78,760 more than the previous year). The increased participation in the State/Federal Electronic Filing Program is attributed to the availability of direct deposit.

Indiana Rejects Illinois' Tax Demand

In October 1997, the Indiana Department of Revenue turned down a demand from the Illinois Department of Revenue for tax money that Illinois claimed it had lost through a reciprocal agreement between the states.

Illinois gave Indiana a brief timeframe to agree to pay \$10 million in "good faith" money in 1998 in order to keep the 25-year-old agreement intact. Based on data from the 1990 census, Illinois claimed that 52,424 Indiana residents worked in Illinois, while 21,895 Illinois residents worked in Indiana. Illinois went on to claim that this disparity resulted in an annual \$21.9 million loss in individual income taxes to the state of Illinois.

The Indiana Department of Revenue called on fairness to its Illinois neighbors, but asked for Illinois to also extend fairness by allowing adequate time for Indiana to research current data on the numbers in order to make a sound determination. Furthermore, any appropriations would have to be made by the Indiana General Assembly, which wasn't in session during the time Illinois' deadline was made.

The end of reciprocity took effect January 1, 1998, and thus taxpayers began paying taxes to the state in which they worked, not the state where they lived (individual income tax rate for Indiana is 3.4%; for Illinois, 3.0%). The Department contacted more than 160,000 withholding agents (companies with employ-

ees working in Indiana) about the changes in income tax withholding beginning January 1, 1998. A notice explaining the changes was sent to the agents in a mass mailing at the end of 1997.

In 1999, Indiana taxpayers commuting to work in Illinois will file returns in both Indiana and Illinois.

Department's Electronic Funds Transfer Program Expands

In accordance with a new state law effective January 1, 1998, the Department successfully implemented the new threshold of \$10,000 (previously \$20,000) that requires taxpayers to pay sales, withholding, corporate and certain gasoline taxes by electronic funds transfer (EFT). Within the last year, the Department has seen the number of EFT taxpayers increase by 62%.

Electronic Funds Transfer is a method of instructing financial institutions to debit or credit customer accounts and thereby affect a transfer of funds from one account to another. The EFT method is a faster and more secure way of moving funds over paper checks.

Year-End Collections Bring In Close to \$10 Billion For State

The Indiana Department of Revenue serves as the state's primary administrator for the tax laws of the State of Indiana, operating on a fiscal-year basis covering the period of July 1 through June 30. The Department strives to maintain a fair and efficient work ethic while promoting the highest degree of public trust and voluntary compliance.

The Department closed out its 1998 fiscal year with collections at \$9.97 billion, 7% more than last year's collections of \$9.3 billion.